THE FARM INDEX

U.S. Department of Agriculture / January 1974

Outlook '74

Energy situation got high billing at last month's National Agricultural Outlook Conference, and much of the prognosis was grim. More encouraging was the reading for net farm income in 1974.

Net returns to farmers this year could pan out to be the second best on record . . . exceeded only by 1973's $25 billion-plus. This assumes farmers will have the fuel, fertilizer, and other inputs they need to step up output.

The chairman of ERS's Outlook and Situation Board told conferees that realized net farm income may range from $20 to $23 billion in 1974, always depending on growing and harvesting conditions. Ideal conditions and larger crops would put pressure on prices, and farm income could slip by around $5 billion from last year. Unfavorable conditions, with smaller crops and higher prices than in 1973, would produce a drop in income of only about $2 billion.

Barring unforeseen developments, production of both crops and livestock will increase in 1974. The wheat crop could reach 1.9 billion bushels compared with last year's 1.7 billion; corn, 6.4 billion bushels against 1973's 5.7 billion (preliminary); and total feed grains, 228 million tons, up from 207 million. Soybean acreage and production may not equal 1973 though total supplies should be ample to cover domestic and export needs.

Output of livestock products should swell in second half 1974, with all the gain expected in beef and poultry and little or none in pork. Milk production is forecast a bit lower than in 1973.

With normal conditions, farm prices should average about the same as last year. But direct Government payments will be down sharply from last year's $2.6 billion and production expenses will mount by an estimated 5 percent. Hence the slippage in the realized net.

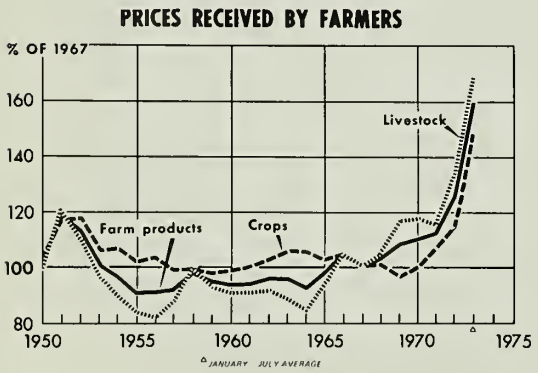
Real estate values should keep on their upward course. They may not accelerate at 1973's record clip of 20 percent, but the climb will be steep compared with previous years.

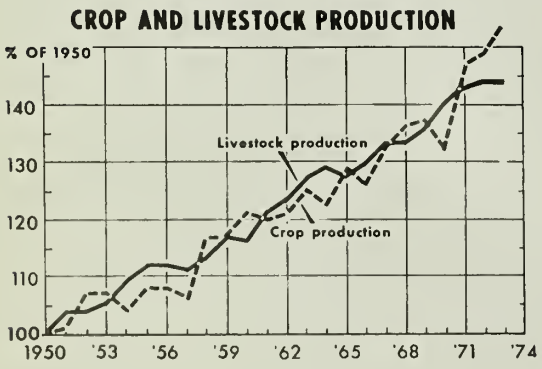
Real estate makes up two-thirds of all assets of the farming sector, so rising land prices are weighted heavily in the balance sheet. Assets on January 1, 1974, are estimated at $441 billion—15 percent over a year ago.

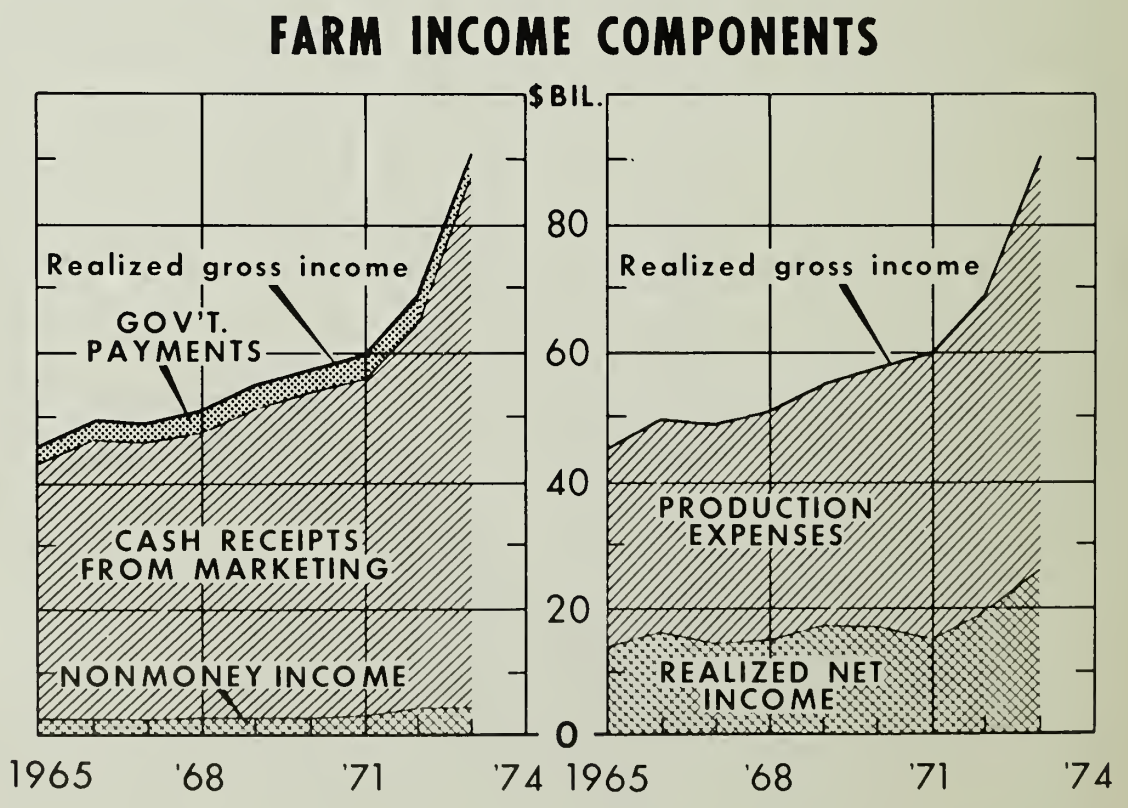
Farm assets have been growing faster than farm debts. Debt claims were $80 billion on January 1, up only 9 percent. Farm debt amounted to 18 percent of assets compared with 19 percent on January 1, 1973, meaning that farmers are moving into 1974 in relatively good shape.

Outlook is so-so for capital formation. This takes in gross investment in real estate and non-real estate assets, funds used to increase cash working balances and farm inventories, and funds to buy real estate. In 1973 capital formation totaled about $26 billion, up roughly a fourth from 1971. This year's won't go that high due to those rocketing land prices plus the shrinkage in net farm income.

Per capita food consumption should rebound in 1974. Last year it dipped 1½ percent. Use of livestock foods may move up about 1½ percent with







red meat supplies recovering half of last year's loss and poultry consumption resuming the uptrend to attain new records. Consumption of crop foods is likely to expand fractionally.

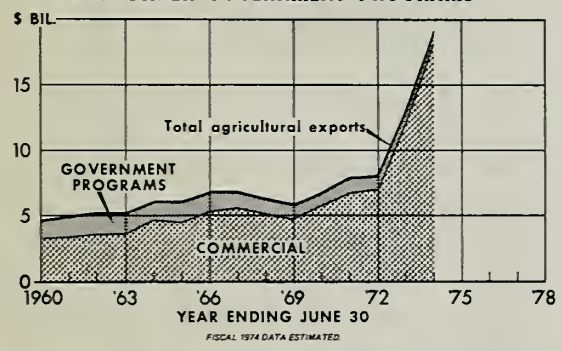
Prices in grocery stores are forecast higher in the first quarter of 1974 as meat supplies contract and prices of other items continue their advance. Second quarter prices are expected to remain nearly constant. Widening marketing margins will probably offset any decline in farm prices, and falling meat and poultry prices may balance increases for other food categories.

For the year, retail food prices may rise only moderately from the 1973 average assuming good crops and higher livestock slaughter rates. But with bad weather, unexpected problems caused by the energy crisis, and a further surge in demand—retail prices might advance rather strongly although well below the leap taken in 1973.

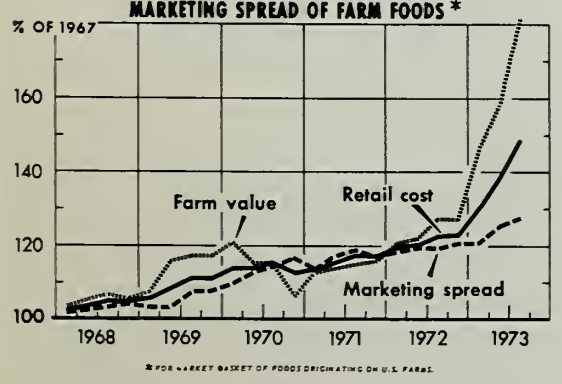
Administrator of the Foreign Agricultural Service told the Conference that in his view fiscal 1974 farm exports could reach $19.3 billion. Gains are forecast for all commodity categories, except dairy products, with price the key factor.

Grain and feed exports may surpass $10 billion—up nearly four-fifths from last year.

U.S. AGRICULTURAL EXPORTS: COMMERCIAL AND UNDER GOVERNMENT PROGRAMS



RETAIL COST, FARM VALUE, AND MARKETING SPREAD OF FARM FOODS *



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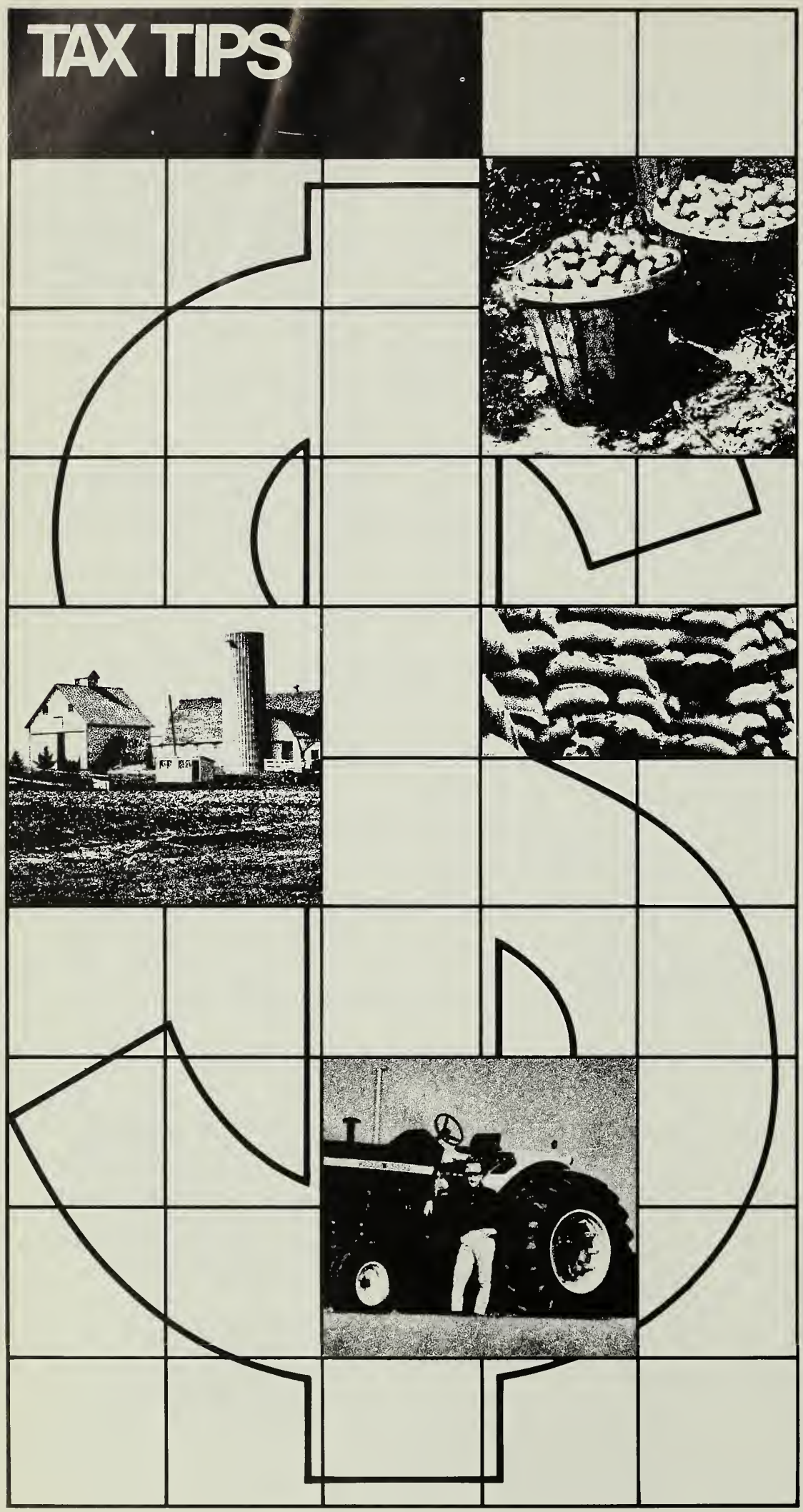
The Farm Index is published monthly by the Economic Research Service, U.S. Department of Agriculture. January 1974. Vol. XIII. No. 1.

TAX TIPS



It's to the farmer's advantage to keep informed on special farm tax rules, an ERS tax expert points out. Here are some ways he shows for maximizing after-tax income.

Take time to think taxes.

That's one way a farmer can work—all year round—toward maximizing his after-tax income.

He can, under existing tax laws, arrange sales to balance year-to-year income . . . average his income . . . time his purchases.

While he needn't be a tax expert, he does need to know enough about the regulations to gauge what effects business decisions could have on his taxes . . . and when to call in a tax consultant.

Unclaimed deductions. As one ERS tax expert points out, there are not enough consultants around who specialize in farm tax matters. Unless a farmer calls special farm tax rules to the consultant's attention, deductions stemming from these provisions frequently go unclaimed.

One method many farmers may use for their 1973 return—in light of record-high income levels—is that of income averaging.

If 1973 income was at least a fifth above that of the previous 4 years, a farmer may wish to opt for this method, and his income would be taxed at a lower rate than otherwise.

How to do it. For instance, if a farmer had a taxable income of $22,000 in 1973 and an average annual taxable income for the previous 4 years of $10,000, he could save $260 by averaging his income.

To do this, he would go through two basic steps.

First, he would compute his "averagable income." This, in general, is everything above 120 percent of his average annual taxable income over the previous 4 years. In this case, with the farmer's average annual taxable income for 1969-72 at $10,000, 120 percent of it would be $12,000, and so everything above that amount would be his "averagable income"—or $10,000 ($22,000—

his 1973 taxable income—less $12,000). To benefit from income averaging, a farmer's "averagable income" must exceed $3,000.

The second step is for the farmer to compute the tax on all of the "averagable income." It is 5 times the tax on the first one-fifth of the excess—or averagable—income.

Lower tax rate. In effect, the progressive tax rate schedule is eliminated for the top four-fifths of averagable income.

As an illustration:

The farmer computes his tax in the regular manner on 120 percent of his average base period income ($12,000) plus one-fifth of the averagable income of $10,000 ($2,000).

At 1972 rates, the tax on the $12,000 would be $2,260. The tax on the first one-fifth of the averagable income would be $500, which he multiplies by 5. This brings him to a total tax of $4,760 using the income averaging method compared with $5,020 using the regular method—or a savings of $260.

While income averaging is a method many farmers may use this year as one means to maximize after-tax income, there are a number of other methods a farmer might want to bone up on for future use.

Managing farm income. One of the most obvious ways is to arrange sales to balance income from year to year. This year's crops can be stored and sold after the first of next year if prices are expected to rise at least enough to cover storage costs. When there is a definite advantage to be gained by selling at present market prices, other tax management strategies may be used.

As a general rule, gains, profits, and income—for the taxpayer who uses the cash method of accounting—must be included in gross income for the tax year in which they are received.

This holds true regardless of whether or not he actually has them in his possession. As long as the proceeds are credited to his account or set apart so that he may draw upon them, they are considered as income. This includes interest on bank deposits, dividends on stock, checks received but not deposited or cashed, even checks held by another party.

However, it is not considered as income if the taxpayer's control over it is "substantially" limited through such transactions as installment sales, deferred payment contracts, and escrow arrangements.

Deferred sales contract. In some instances, it is possible for a farmer to sell his grain, livestock, or other products in one year, receive payment the following year and include the sales proceeds in the following year's income for tax purposes.

However, caution must be exercised to avoid actual or constructive receipt of income in the tax year in which the product is sold.

The propriety of including sales proceeds in next year's income is fairly straightforward in the case where a contract is made at present product prices but calls for actual delivery and receipt of payment for the next year.

If provisions met. However, provided certain conditions are met, farmers may be able to sell and deliver farm products this year, contract to receive payment next year, and properly include the proceeds in next year's income.

Under Revenue Ruling 58-162, the proceeds from the sale of wheat by a cash basis farmer—under a bona fide arm's length contract calling for payment in the year after delivery to the buyer—are counted as gross income for the year in which payment was received.

Similar tax treatment is available for sales of other farm products provided the circumstances are the same.

The contract should be entered into before or at the time the product is delivered to the purchaser. The contract should be specific, written, and non-assignable and must legally preclude the farmer from obtaining his sales proceeds in the year of sale even though he may change his mind and want to be paid.

Court rulings. Where the seller has the right to the proceeds of a sale upon delivery of the product, the courts have held that any delay in payment due only to the seller's own desires means that the seller has constructive receipt of the income. Similarly where the seller has control of the payment at the time payment is due and later relinquishes his control, such income has, nevertheless, been ruled as constructively received.

Should there be any doubt as to the form of contract or tax status of the proceedings, qualified tax counsel should be obtained before the sale.

Managing current deductions. Managing current deductions to reduce or postpone the payment of income taxes is probably the type of tax management most frequently practiced by farmers and ranchers.

Old standbys include timing machinery and equipment purchases,

Reading Up on Taxes

Threading your way through your tax return?

There are a number of publications farmers might find helpful.

Besides *Farmer's Tax Guide,* 1974 edition, available free from county extension agents or at Internal Revenue Offices, *Your Federal Income Tax*—1974, is available for a nominal charge from Internal Revenue offices and from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

In addition, USDA's Economic Research Service has several publications—*The Tax Reform Act of 1969—Provisions of Significance to Farmers,* ERS-441; *Increasing Impact of Federal Estate and Gift Taxes on the Farm Sector—Present Law and Proposed Changes,* AER No. 242; and two articles in the *Agricultural Finance Review,* Volume 34, July 1973: "Impact of Estate and Inheritance Taxes on U.S. Farms," and "Tax Loss Farming." Single copies can be obtained by writing the Publications Unit, Division of Information, Economic Research Service, USDA, Washington, D.C. 20250.

the optional use of additional first year depreciation, and accelerated methods of depreciation.

In 1973, however, use of current deductions was substantially limited by the exceptionally high demand for farm machinery and equipment. Many manufacturers and dealers were already reported to be oversold in 1973. However, this may be evidence of tax management being practiced.

A thorough treatment of farm depreciation, as well as farm tax rules in general, is in *Farmer's Tax Guide*, an annual publication by the Internal Revenue Service and distributed through State agricultural extension services.

Investment credit. Investment credit is another method to manage current deductions. To qualify, property—excluding buildings—must be tangible and used in manufacturing, production, or extraction, have a useful life of at least 3 years, and be placed in service by the taxpayer during the year.

Livestock, except horses, now qualify for the credit. However, special rules apply if, within 6 months before or after livestock is acquired, the taxpayer disposes of "substantially identical" livestock for which there is no recapture of investment credit. Then, the cost of livestock acquired must be reduced by the amount realized on disposition of the other livestock.

The credit allowed is 7 percent of the eligible investment if the property has a useful life to the taxpayer of at least 7 years. Property with a useful life to the taxpayer of less than 3 years does not qualify. Property with a useful life of 3 to 5 years qualifies for one-third of the investment that is eligible for credit; property with a life of 5 to 7 years qualifies for two-thirds.

The credit is limited to the income tax liability shown on the return, or $25,000 plus 50 percent of the tax liability in excess of $25,000, whichever is less.

Livestock producers in particular can take advantage of prepaid feed purchases. Feed, seed, and fertilizer can be purchased in advance of current needs, and, as long as payment is actually made and certain other requirements are met, treated as a deduction for the current year's income.

What's allowable. It is best if delivery can actually be taken, but this is not always possible. What is most important is that the transaction be a bona fide nonrefundable purchase rather than a refundable deposit.

As an example: Two farmers paid in advance for delivery of feed in the following year. One was entitled to a current deduction; the other was not.

The first paid a grain dealer in December for eight carloads of grain to be delivered as needed over the next year and charged at the weekly wholesale price. The farmer borrowed the money to pay the bill and there was no provision for refund of any part of the payment. The deduction was allowed.

The second farmer paid $50,000 in December for feed to be delivered over the next year. But he was entitled to a refund if he did not use up the funds and there was no legal obligation requiring delivery. The court found this payment was a deposit—not a purchase—and the deduction was not allowed.

Good reasons. There should be a sound business purpose for the advance purchase. The opportunity to assure that needed supplies will be available when needed or the fact that a price advantage is often available are examples of sound business purpose. Also, there should be a reasonable relationship between the size of the advance purchase and the size or scale of the taxpayer's operation. The same general principles for advance feed purchases apply to advance purchases of seed, fertilizer, and other supplies.

[Based on paper by W. Fred Woods, National Economic Analysis Division, entitled "Income Tax Issues of Interest to Farmers and Ranchers" presented at the Range Beef Cow—A Symposium on Production III, Rapid City, S. D., December 19, 1973.]

The Twine That Binds

U.S. farmers may have trouble this year tying up a valuable crop.

The crop is hay, and making hay is big business. Cash receipts from farm marketing of hay tallied $767 million in 1972 and were probably considerably higher in 1973.

But without the twine that binds—be it natural fibers or man-made—or without wire, hay farmers couldn't get it all together. And, recent changes in world production, demand, imports, new fiber uses, and prices point to a shortage of baler twine for the 1974 hay season.

Hay fed on the farm where grown is mostly baled with twine. Hay grown for commercial sale is usually baled with wire. Either way, hay farmers will be walking a tightrope in getting their binding material in 1974.

The twine comes mainly from imported sisal of the cactus family, and world sisal production has been stringy in recent years. Also, world stocks are negligible at a time when the world demand for sisal products is strong.

In the U.S., the imported twine supply for 1974 will shrink by an estimated 15 to 20 percent. There is little to indicate that other exporting countries can stretch their twine supplies to help meet our shortfall.

The higher price for natural twine may stimulate production of synthetics. But synthetic production has its drawbacks, including the shortage of petroleum needed to make synthetic twine.

As for wire, only a fifth of our hay crop is wire-baled and the proportion is decreasing.

It's possible that the trend to hay harvesting techniques that don't require tying—such as making haylage, cubing, loose hay, stacking, and rolling—will lower demand for twine. Still, the new ways may add what is not hay to the hay farmer's production costs.

[Based on an article by Allen Schienbein, Commodity Economics Division, entitled "Baling Materials Situation—Twine and Wire," *Feed Situation*, FDS-251, November 1973.]

AGRICULTURAL LANDS: MOST FARMED BY OWNERS

Some quick facts about ownership of America's farmland:

Of the 1 billion acres in farmland —about half our land supply—more than 3 out of 5 acres are farmed by the owners, according to the latest agricultural census, taken in 1969.

Individuals own and operate nearly 400 million of the 918 million acres in farms with sales of $2,500 or more . . . partnerships, 90 million acres . . . corporations, 50 million acres. Of the land owned and operated by corporations, 4 out of 5 acres belong to closely held corporations—those with 10 or fewer shareholders.

Of the land that's rented out to farm operators—383 million acres—more than 7 out of 10 acres are owned by nonfarming individuals, partnerships, and estates.

Of the remainder, Federal, State, and Indian lands add up to 53 million acres—of which more than half is State-owned—farm operators own and rent out to others 40 million acres, and nonfarming corporations own 16 million acres.

For the U.S. as a whole, individuals, partnerships, and estates own 87 percent of the land in farms with sales of $2,500 or more. Corporations own 7 percent, Federal, State, and Indian lands comprise the rest.

A check of ownership of farmland on a regional basis, however, draws quite a different profile.

Four out of 5 acres owned by corporations are in the 11 Mountain and Pacific States, Texas, or Florida. The Mountain and Pacific States alone account for more than 3 out of 5 acres of corporate lands.

The Mountain and Pacific States account for 4 out of 5 acres of State, Federal, and Indian lands used for farming.

More than 90 percent of the land in farms in 7 of the Nation's 10 regions are owned by individuals, partnerships, and estates. This includes the Northeast, Lake States, Corn Belt, Northern Plains, Southern Plains, Delta States, and Appalachian regions. In the Corn Belt and Lake States, individuals, partnerships, and estates account for 98 percent of farmland ownership.

While the latest complete data come from the 1969 Census of Agriculture—and Congress recently authorized another one for 1974—indications are that ownership patterns of farmland have not undergone a great deal of change.

ERS's report on farm real estate market developments, for instance, noted that results of its annual Farm and Rural Land Market Survey in March 1973 were similar to that of a year earlier. Individuals continued to dominate farm real estate transfers, and partnerships remained second.

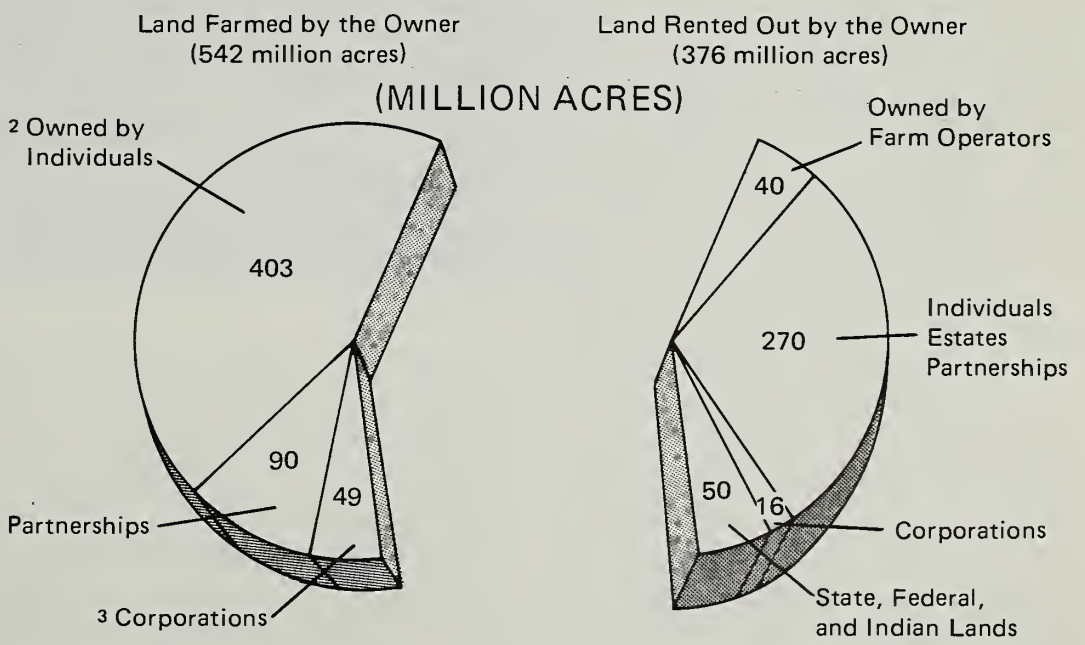
The major change was that private corporations purchased twice as many acres as they sold in the year ending March 1, 1973, while a year earlier, they sold slightly more than they purchased.

Privaely held corporations purchased 4 percent of all tracts sold in the year ending March 1, 1973, and 9 percent of the value of farmland sold—but accounted for 12 percent of the acreage—a 3-percentage point gain from the year before. Their percentage of sales and value was relatively unchanged from a year ago, but with their percentage of acreage sold dropping to 6 percent, they apparently purchased twice as much acreage as they sold last year.

Contrary to widespread belief, public corporations—those whose stock is offered in over-the-counter trading or on stock exchanges—do not appear to be a major influence in many land markets. Nationally, these large corporations bought and sold only about 1 percent of all tracts, acreage, and value of farmland transferred in the year ending March 1, 1973.

[From special material by George W. Coffman, Jr., National Economic Analysis Division, and *Farm Real Estate Market Developments*, CD-78, July 1973.]

[1] FARMLAND—AND WHO OWNS IT



[1] Farms with sales of $2,500 or more

[2] Includes 5 million acres of land owned by "others"—such as estates, trusts, cooperatives

[3] Of the 49 million acres owned and operated by corporations, 39 million acres are by closely held corporations with 10 or fewer shareholders, and the remaining 10 million acres by corporations with more than 10 shareholders.

THE VIGOROUS DEMAND for most farm fuels and fertilizers this year is bound to put a strain on prospective supplies. The situation as sized up by ERS economists—

Gasoline. Consumption is estimated at 4 billion gallons—about the same as in the past 5 years. Gasoline's share of the all fuel total has been drifting down since the 1950's. In 1971, new tractors powered by gas numbered 41,000, a sharp drop from 108,000 produced in 1966 and 190,000 in 1957. Nevertheless, gas is still the most widely used farm fuel.

Diesel fuel. In contrast to gasoline, diesel demand has been spurting. In 1973, farmers burned an estimated 2.48 billion gallons, up from 1.88 billion in 1969, and this year's demand is projected at 2.7 billion.

Diesel fuel consumption has shot up with the increasing proportion of new power units that are diesel powered, particularly the larger combines and tractors.

From only 64,000 new units in 1957, sales of diesel tractors reached 157,000 by 1972. A recent report on self-propelled combines indicates diesel units captured 55 percent of new sales in the first half of 1973, after climbing from 23 percent of the market in 1971 to 35 percent in 1972. Eighty-four percent of the largest combines sold in the first 6 months of 1973 were diesel fueled.

Liquid petroleum gas. Farm demand in 1974 is estimated to range from 1.35 to 1.50 billion gallons depending on harvest conditions in the fall. In any event, demand will be up from 1973—when approximately 1.3 billion gallons were used—due to expanded crop acreages and the greater need for LP gas in drying crops.

LP gas demand has weakened for use in tractors and most other motors except for irrigation pumps. Increased pesticide use has also reduced demand for LP in controlling weeds and insects. But these have been offset by mounting LP needs for crop drying, tobacco curing, livestock heating, and poultry brooding. Corn drying in particular has been on the rise. Much of the recent expansion has been on farms where about half the corn crop is now being artificially dried compared with about 40 percent 4 years ago.

County and State offices of the Agricultural Stabilization and Conservation Service (ASCS) are monitoring the farm fuel situation. Farmers are advised to continue to report any supply problems to their local ASCS offices.

Turning to the fertilizer outlook, both nitrogen and phosphate fertilizers will be in tighter supply than last year, although more may be used. And, prices for some products could be nearly double those of 1973 when price controls were in effect.

Two weeks after the lifting of price controls in October 1973, retail prices for anhydrous ammonia soared 40 percent. Those for most other fertilizer products rose about 30 percent. If these prices are an indication of 1974 levels, the farm bill for fertilizers may run in the neighborhood of $4 billion compared with $2.5 billion in 1972.

Not yet clear is how farmers will respond to the price jumps. They might decide to cut back on fertilizer usage. If so, and if fertilizer companies continue to operate at near capacity, the supply may about equal the demand by the end of 1974.

On the other hand, it's entirely possible that output of most fertilizers will be curtailed by the short supply of energy, which is essential to production of all fertilizers including the sulfur needed to make phosphate materials.

Ammonia production may be cut 2 to 4 percent by curtailment of the use of natural gas, and phosphate rock mining may be slowed by a reduction in electric power in the State of Florida.

Transportation snags could create problems too. Most of the fertilizer (70 percent) is applied in the spring. Moving some 27 million tons of fertilizer in such a brief time span will put a great strain on the transportation system in 1974 at a time when grain shipments are also at high levels. This could mean spot shortages of specific fertilizers in many parts of the country.

Looking further down the road, ERS economists expect that the squeeze on phosphate materials might ease by the end of 1974, but nitrogen fertilizers might be in tight supply for many years.

Meantime, farmers are urged to order and take delivery of fertilizer as soon as possible, then store it in a dry place until use.

[Based on special material from Richard Smith (fuel) and John F. Gale (fertilizers), National Economic Analysis Division.]

Aging And Health Viewpoints And Counterpoints

A special survey on health and aging turns thumbs down on the popular notion that rural areas provide healthier living conditions than most urban centers.

"This is the dreariest time of my life."

"Sometimes I feel my family could get along without me."

"I have everything I need to make me happy."

In their reactions to statements like these, participants in a recent survey revealed some flaws in the old argument that rural areas provide a healthier environment than urban centers.

The survey, which explored the effect of health on the outlooks on life of various age groups, was conducted via personal interviews with some 800 people, half living in an urban area and half in a rural location. Participants were classed into four age categories ranging from 20-29 years to 60 and over.

In both areas, age was inversely related to amount of formal education, annual income, and representation in white collar and professional occupations. For example, median years of education in the urban center were 12.5 for the 20-29 age group, 12.0 for the 30-44 group, 11.6 for the 45-59 group, and 8.5 for those 60 and over.

However, survey respondents in each age group in the metropolitan

Fair Share

Mobile home parks are a tax burden on the community—or are they?

Not necessarily so, says a study of the typical New Hampshire mobile home park. In fact, contrary to popular belief, many mobile home parks shoulder their fair share.

Although the parks studied have low-cost housing, and therefore lower tax payments, the park residents seem to require a smaller share of public services than the community at large.

Often overlooked, this study says, is the fact that the amount of services needed by a park is not determined by the number of households, but rather by the number of persons in those households. Since the mobile home household is typically smaller than others—60 percent of those in the New Hampshire park have only one or two persons, compared with 47 percent for all homes—it requires fewer services.

Education, a major service provided by the community, is often cited as a reason to restrict or ban mobile homes from a community. However, a look at the mobile home population in the New Hampshire study shows that a very small percentage is school age. Compared with the general population, less than one-third as many in-park mobile home residents are school age.

Not all mobile home developments will pay their way as completely as do those studied here, the authors feel. How mobile homes are taxed and the characteristics and needs of the families who live in them are important considerations. However, the mobile home residents in the communities studied here came surprisingly close to paying for the services received.

[Based on *Mobile Home Residents in New Hampshire*, by Nelson L. LeRay, Richard L. Tichenor, and Edmund F. Jansen, New Hampshire Agricultural Experiment Station Research Report No. 27, May 1973.]

center reported substantially more education than those in the rural area. Also, urban men in each age category earned considerably higher annual incomes than their rural counterparts. Only about half the women respondents reported incomes of their own, with the bigger median incomes falling to the urban women.

Self-analysis. Health status of the survey group was determined by asking each person if he or she had any ailments that caused discomfort either some or all of the time. Participants were then asked to identify the ailments. Interviewers classed their reported illnesses into nine general ailment categories.

The survey team recognized, of course, that lay people may not be able to pinpoint the nature or extent of their illnesses. Nonetheless, a previous study found that the self-health ratings of 2 of every 3 older persons agreed closely with the diagnoses of doctors.

As expected, data gathered from the interviews reflected the declining health conditions that characterize old age. In both the rural and urban areas, the 60-and-over age group reported far more ailments than any of the other three age categories.

Also in both geographic areas, the most pronounced age group differences occurred in three ailment categories that probably included a substantial share of chronic health problems—musculo-skeletal, circulatory and cardiovascular, and impairments of the sense organs.

Differences between older and younger persons were not as great in the ailment categories reflecting acute health conditions, such as respiratory problems, gastro-intestinal difficulties, and endocrine and reproductive ailments.

Youth gap. In all age groups, the number of reported ailments in the rural sector topped those of the metropolitan center by a fairly wide margin. But the biggest gap turned up in the youngest category. Rural people aged 20-29 reported more than twice as many ailments as their urban counterparts.

Outmigration of young adults from rural areas may explain some of this disparity. For many rural youths, however, poor health can serve as a barrier to leaving home and finding employment in the city.

Survey participants were also asked about the severity of their illnesses. Questions included whether or not they had seen a doctor, visited a hospital, or had been forced to curtail any of their usual activities.

Because health facilities in rural America tend to be more limited than in urban centers, it was presumed that the rural age groups would make less use of physicians or hospitals. But survey data failed to support this hypothesis.

The share of people who reported illnesses and saw a doctor was about the same in both the rural and urban areas. However, urban people made slightly greater use of hospitals. And a somewhat larger portion of rural respondents indicated that their ailments had caused them to cut down on their usual activities (rural 77 percent, urban 69 percent).

Personal reactions to health status were measured by presenting each person with 72 statements comprising 24 scales of attitudes about self, immediate social environment, and general outlook on life. Respondents were asked whether they agreed or disagreed with the statements.

Poor health, poor outlook. As a rule, poor health is associated with a negative outlook on life, so researchers surmised that poor health would tend to produce negative attitudes among the participants in this survey. Most of the attitude scales backed up this assumption—with a few exceptions.

Having established a tie-up between poor health and negative viewpoints, researchers expected that older people, who are more prone to ill health than younger people, would exhibit more negative views. This assumption found only slight support in the urban center, but substantial backing in the case of rural people.

In the urban sector, only two age groups—those 30-44 and 60 and over

—revealed significant relationships between poor health and negative outlooks. But in the rural area, all age groups scored significantly in the negative attitude scales, with the older groups very much in the majority.

Rural residents aged 45 and over reported 70 percent of all ailments in the rural community, and more than 80 percent of the negative attitude scales. However, the 45-59 age group—not the 60 and over category—expressed the most negative viewpoints.

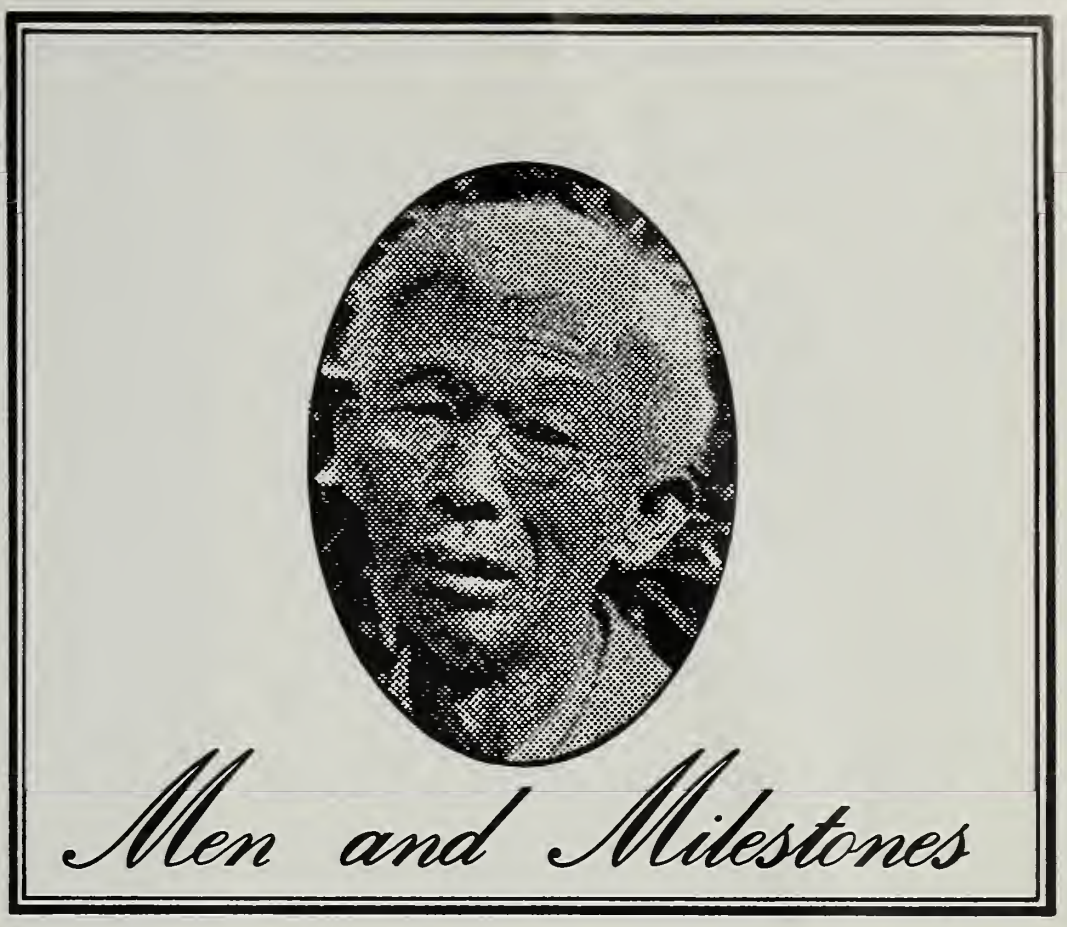
Counter to survey expectations, some respondents revealed a positive outlook on life despite their self-reported poor health. Unfortunately, these positive viewpoints were too few in number to be associated with any particular age group.

Family power. One point *did* stand out, however: three-fourths of the positive attitudes concerned family relationships. Researchers concluded that poor health conditions caused some of the respondents to develop closer ties with their families—which generated a more positive way of thinking toward that aspect of life.

Overall, survey results yielded some telling clues about the physical and mental well-being of rural residents compared with city dwellers. Findings tend to refute the popular notion that rural settings—fresh air, lack of congestion, and a slower pace of life—provide a healthier environment.

It's clear from the survey data that rural people have a far greater need for—and much to gain from—improved community health programs than urban people. The substantially poorer physical and psychological health of the four age groups in the rural area also bears witness to the fact that the distribution of medical and health care services has favored urban centers in the U.S.

[Based on manuscript entitled Age Group, Health, and Attitudes by E. Grant Youmans, Rural Development Service.]



Tampa, Fla., February 11, 1911—The American Pomological Society awards **Lue Gim Gong** *the much sought Marshall P. Wilder silver medal for his orange.*

The Lue Gim Gong orange, still grown in some areas of Florida, was cited especially for its shipping qualities, hardiness, and late ripening quality while still having a rich vinous flavor. Its development enabled many growers in north Florida to continue to raise this variety after other varieties had been killed by severe frosts. A cross between Hart's Late and a Mediterranean Sweet, it was medium to large in size and ripened in August or September, thereby lengthening the season, too.

So popular an orange brought only partial security to the Chinese "wizard." The demand for the stock was so great that some stole grafts from his grove or grafted other trees from nursery stock from the one company handling the variety. Subsequently, this variety was used in breeding other, improved cold-resistant varieties of oranges.

Lue Gim Gong also developed an early ripening grapefruit that bore his name and a more exotic perfumed grapefruit.

Years before, when he was living in Massachusetts, he had developed a cherry currant, a salmon-colored raspberry, a late ripening peach, and a tomato bearing uniform clusters of fruit.

This unusual immigrant citizen was born in South China in 1858. He came to San Francisco in 1872 and then went to North Adams, Massachusetts, to work in a shoe factory. He soon attracted the attention of Fannie Burlingame, cousin of the U.S. representative to Peking. With her support and encouragement, he was able to utilize a skill learned in China as he pollinated to develop new varieties.

He continued to work until his death in 1925.

[Based on special material from Vivian D. Wiser, National Economic Analysis Division, Agricultural History Group.]

No one can drive through orange country this time of year without remembering forever afterward the sweet smell of orange blossoms. In another month or two, the country's citrus crop will be at peak harvest time. Like a juggler reaching maximum capacity, the industry will be harvesting our biggest fruit crop—oranges—along with grapefruits, lemons, and temples.

And if last year was any indication of what's to come, production will probably be worth close to $1 billion.

All this is concentrated in just four States—Florida, which accounts for about two-thirds of production value, California, Arizona, and Texas.

The Sunshine State is the source for nearly all of our frozen concentrated orange juice, leads in the production of grapefruit and tangerines, and accounts for all of our tangelos, temples, and limes. About 90 percent of Florida's citrus goes into processed products.

For fiscal 1973, citrus production in Florida was valued at nearly $580 million out of the national total of more than $890 million.

Second-ranked California supplies about a fifth of the Nation's orange production—about two-thirds for the fresh market. It supplies about 8 percent of grapefruit production, and dominates the lemon market—with about 80 percent of total production.

Arizona produces a wide range of citrus fruits, with last fiscal year figures at more than $18 million worth of lemons, $16 million of oranges, $5 million in grapefruit, and more than $2 million in tangerines.

Texas' biggest citrus crop is its grapefruit—worth $25 million in fiscal 1973. Oranges—and the Texans raise them big—were worth about $12 million.

All told, oranges have been worth at the farm level more than $500 million annually in recent years.

The story of the growth—and the changes—in the orange industry were the subject of a recent study in ERS.

Back in the mid-forties, California led the Nation with a record orange crop of 60 million boxes.

But from then on, Florida has been in the lead.

California's share, meanwhile, has dipped from 35 percent of production in the early 1950's to 20 percent in recent years.

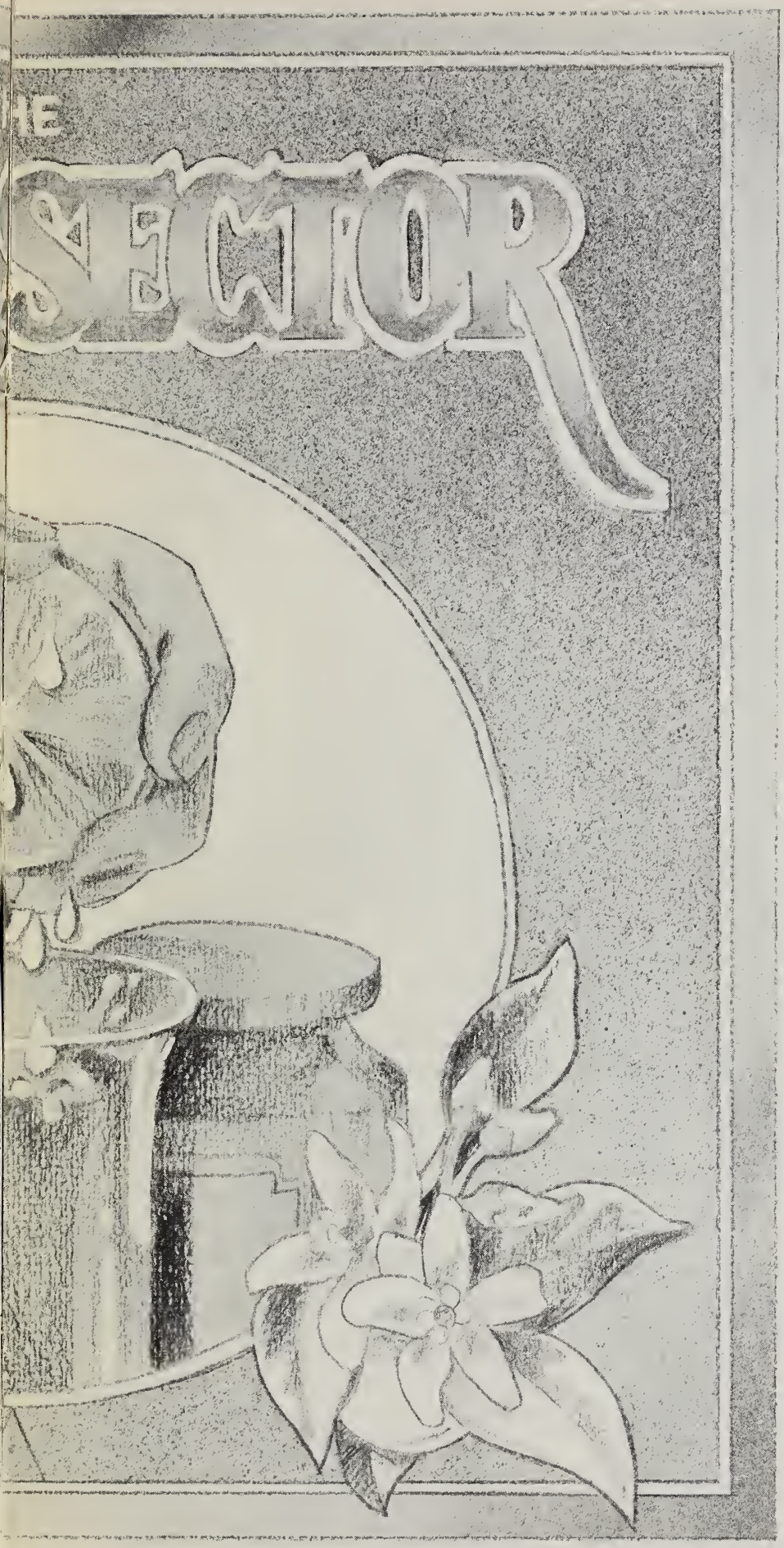
The main reason? Urban expansion, airfields, highways, factories and such in southern California and the resulting removal of orange groves. However, production has increased in recent years, totaling 42 million boxes in 1972/73.

Arizona and Texas produce about 5 percent of the total orange crop, but have rapidly increased production—it went up more than 1½ times during the past 20 years.

At the same time, there has been considerable change in the way oranges are used.

Sales of oranges for fresh market use fell from 2.5 million tons to 1.7 million tons—or from a half to a fifth of the total.

Most of this was due to the sharp increase in Florida oranges in processed form. In the early 1950's, 40 percent of Florida's oranges were for fresh market use—compared with 9 percent in recent years. However, typical marketing patterns favor fresh oranges in Arizona, California, and Texas; but even in these States, the proportion of orange sales for fresh use has declined.



Comparing the 1950-52 average with the 1971-73 average, California's orange sales for fresh use dipped from 70 percent to 65 percent of the total, Texas' dipped from 84 percent to 45 percent, and Arizona's from 72 to 46 percent.

The commercial introduction of frozen concentrated orange juice in the 1945/46 season stimulated Florida's rapid and dramatic growth in the orange industry.

Processing use more than doubled between 1945/46 and 1950/51, to 42 million boxes—going from a third to nearly two-thirds of Florida's total crop. By 1970/71, 131 million boxes (including temples) were used for processing—and in 1972/73 a record proportion of 91 percent of Florida's crop was processed.

Oranges used for frozen concentrated orange juice rose at an even greater rate, going from 3 million boxes in 1945/46 to 132 million boxes in 1972/73—or from 6 percent to 74 percent of Florida's crop, including oranges, tangelos, temples, and honey tangerines.

Another fast riser has been the use of oranges for chilled orange products. By 1972/73, it accounted for 12 percent of the orange crop in Florida—including oranges, tangelos, temples, and honey tangerines—compared with only 3 percent in 1954/55.

In contrast, the volume of Florida oranges used for canning has declined sharply—from 25 percent in the early 1950's to 5 percent in recent years.

Meanwhile, Americans on the average have cut down their consumption of fresh oranges, and stepped up their use of processed—particularly frozen and chilled orange juice. In the early 1950's about half of the oranges they ate were in fresh form, but by 1970-72, this was down to about a quarter.

Per capita consumption of chilled orange juice—since its introduction in the mid-1950's—has increased from 1.7 to 8.5 pounds, on a fresh equivalent basis. Chilled orange juice now takes about 16 percent of total processed orange consumption—up 4 percent in the mid-1950's—and about 12 percent of total orange consumption.

An ERS economist attributed this change in consumption over the past 20 years to several factors—processed oranges are essentially convenient and time-saving, are available year-round . . . and the industry improved considerably the quality of the products.

Grapefruit, the second largest citrus crop, is about 60-percent processed—particularly for grapefruit juice. In Florida, about two-thirds of the crop is processed, and in Texas, a little less than half. On the other hand, in California and Arizona, almost half of the grapefruit is for fresh market sales.

Lemons normally have more sales in the fresh market, but in 1972/73 processed lemons accounted for half of the crop.

The U.S. also ranks as a leading producer of citrus in the world, and currently grows about 30 percent of the world orange crop. Canada and Hong Kong are the largest buyers of our orange exports, and Japan leads in imports of U.S. grapefruit and lemons.

[Based on special material by Ben W. Huang, National Economic Analysis Division; "Two Decades of Change in the U.S. Orange Industry," *Fruit Situation*, TFS-186, February 1973; and *Citrus Fruits*, FRNT 3-1 (73), Statistical Reporting Service, USDA.]

Apples Get High Marks In Consumer Survey

How often do you serve fresh apples? Chances are, you've served them at least once in the past year, and perhaps as often as several times a week.

That's the indication from more than 1,000 homemakers who participated in a USDA survey designed to test the apple's popularity.

Over 9 in 10 homemakers said they had served fresh apples in the 12 months prior to the interview, and about half said they had served apples more than once a week.

The survey also found that consumers generally have a high opinion of apples.

Over half of those interviewed selected these qualities as being characteristic of fresh apples—easy to prepare, liked by most children, liked by most adults, good flavor, and keeps well. The only quality on which apples didn't get high marks was the high cost per serving.

When it came to methods of serving apples, 92 percent of the consumers surveyed said they ate them out of hand. Fifty-nine percent used apples as a filling or ingredient in pies, cakes, and pastry; 52 percent used them in salads, fruit cups, and jello; 45 percent as baked apples; and 41 percent as applesauce.

As packaging went, many consumers said they'd rather choose their apples from a loose display. This buying method was preferred by 40 percent of those interviewed.

Seven in 10 homemakers bought most of their apples at supermarkets or grocery stores for convenience reasons. For economy and high quality apples, 1 in 10 consumers preferred the fruit store. Roadside stands and orchards or farms were favored by fewer than 1 in 10 homemakers, who described these outlets as having fresh fruits.

[Based on the manuscript Homemakers' Preferences, Uses and Buying Practices for Fresh Apples and Apple Products, by Judith Lea Jones, National Economic Analysis Division.]

Tips on buying luggage and stereo equipment, advice on safe handling of foods and pesticides, and guidelines for gardening. . .

That's just a sampling of the 1973 Yearbook of Agriculture, some 400 pages designed to help you get the most for your money and protect your investments.

Entitled *Handbook for the Home*, it's a ready reference manual containing just about everything you might want to know about selecting, furnishing, and maintaining a home. For example, there are chapters to help you choose a builder, select paint and siding, add a patio, plant shade trees, or plan outside lighting.

But the yearbook is more than just a book about houses and home furnishings. Its opening section contains a host of information on nutrition, insurance, family budgeting, and even a chapter on camping. One chapter explains the fashion cycle—and takes some of the guesswork out of clothes buying.

And, since the yearbook can't go into exhaustive detail on all the subjects it covers, many of the chapters conclude with "Suggested Further Reading" to help you get all the particulars.

Handbook for the Home is available from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Price is $5.70.

Butter Stocks Melt Away With Drop in Milk Output

If the projections are right, butter won't be heading anybody's "plentiful foods" list for some time to come.

Anybody in the U.S., that is. Though worldwide butter supplies continue to mount, U.S. stocks have fallen off sharply.

Reduced carryover and smaller production account for the drawdown, which stepped-up imports may offset only slightly. Carryover stocks last October 1 stood at 92 million pounds—compared with last season's 178 million.

Production this season is seen at 900 million pounds, off some 60 million pounds from a year earlier. Blamed are reduced milk output and the increasing amount of milk diverted to cheese production.

To ease the tight butter situation, the President on November 1 temporarily lifted annual import quotas, which were previously set at 0.7 million pounds for butter.

The new quotas allowed some 56 million pounds of butter and fresh or sour cream and about 23 million pounds of butter substitutes and oil to enter the U.S. between November 1, and December 31, 1973. Just over half of the 56-million-pound butter quota went to New Zealand, normally our chief supplier.

Exporters in the European Community were allocated just under 25 million pounds, while Argentina, Australia, Canada, Norway, Sweden, and Switzerland were jointly given a 2.8 million-pound quota.

Meantime, U.S. consumption of butter, squeezed by lower production and higher prices, is expected to fall some 100 million pounds shy of last year's 1-billion pound level.

And effective last July 1, the Commodity Credit Corporation withdrew its offer to sell butter for unrestricted use to private industry in order to conserve supplies for domestic feeding programs.

[Based on *Fats and Oils Situation*, FOS–270, November 1973.]

Hide Pollution: Solution is Salt-Free

Leather objects are among the oldest artifacts known to man.

Over 4,000 years ago, Egyptian leather dressers were at work converting animal hides into useful tools and articles of clothing.

Over the years, leather has lost little of its utility—or its attractiveness.

But the work required to make it beautiful is as unattractive as ever.

The waste matter created by hide curing and tanning is considerable. The salt-curing of a single hide requires up to 14 pounds of salt, which in 1972 amounted to some 259,000 tons of salt from 37 million hides. When this is discharged into rivers and streams, it becomes a potent water pollutant.

Waste proteins from dehairing, along with waste tanning chemicals, are additional pollution sources.

The leather industry is confronted with the job of correcting pollution problems. New Environmental Protection Agency (EPA) regulations mean that hide processors and tanners will be subject to strict antipollution standards.

In meeting these standards, the processors and tanners can make costly investments in water treatment facilities—or they can find alternatives.

A recent ERS study suggests that a proposed salt-free solution may be workable and could even be profitable for the hide industry.

The proposed solution eliminates salt curing by partially tanning fresh hides into blue, chrome-tanned leather. This would be done by the hide processor. The tanner would then buy the chrome-tanned leather from the processor and finish it into leather products.

Under the new method, the tanner would thus purchase a hide that is already partly tanned. Now, he buys the hide, and does it himself.

The method would not only reduce pollution, it would also result in a cost saving for salt of about 10 cents a hide. On a yearly basis, the saving would amount to some $3.7 million.

It is not, however, without problems. Though elimination of salt-curing will not change the appearance of finished leather, new standards for grading the chrome-tanned product will have to be developed. Hide processors will also need to invest in new equipment, and skilled labor will have to be trained and relocated.

Tanners will also lose a measure of quality control over the hide material.

And for the export market, foreign buyers may continue to require salt-cured hides. This would mean that some salt-curing facilities would have to be kept.

On balance, however, the salt-free solution may be the best one.

[Based on an article by Frederick J. Poats, National Economic Analysis Division, and Joseph Naghski, Agricultural Research Service, entitled "Alternatives for Reducing Water Pollution by Cattlehide Processing and Tanning," *Marketing and Transportation Situation*, MTS-191, November 1973.]

Photos courtesy R. J. Reynolds Tobacco Co.

HOW IT WORKS. The tobacco harvester straddles one row at a time, with the driver sitting at center-front to enable him to maintain perfect alignment with the tobacco row. After leaves are stripped from the stalks, they are dropped onto a series of power-drive rollers (top photo) which carry them to conveyors on both sides of the harvester.

Flue-cured Tobacco Joins Machine Age

Machine harvesting of flue-cured tobacco will gather momentum in the next 5 years, ERS analysts predict.

They expect that in the heart of the flue-cured tobacco belt, nearly 1 in 4 acres—or about 23 percent of total acreage—will be mechanically harvested by 1978, a sharp increase from 1973 when only 3 percent was picked by machines.

The projection for 1978 is based on a study of current conditions in four regions that account for around three-fourths of all U.S. production of flue-cured tobacco: the Piedmont of North Carolina and Virginia; the Georgia belt; North Carolina-South Carolina, Pee Dee Lumber River; and the North Carolina Coastal Plain.

It is estimated that about 2,500 management units, covering nearly 87,000 acres, will mechanize by 1978. This would require an average addition of 450 harvesters each year—up from a total of 300-350 in 1973.

The investment in mechanical harvesting over the next 5 years is figured at about $34.7 million. Another $74.7 million is expected to be invested in bulk barns.

Labor use in the four study areas would be reduced by an average of 4.5 million hours a year. Based on an average wage rate of $1.53 per hour over the 5-year period, the wage loss of hired workers displaced by machines would come to $7.1 million a year. At present, hired labor accounts for more than two-thirds of the labor used to harvest flue-cured tobacco.

Mechanization would essentially eliminate the following jobs: walking primers, those who remove the leaves from the stalk; riding primers; "handers"; hand loopers, who tie the leaves onto sticks; priming aid drivers; tying machine workers; and people hanging tobacco in conventional barns.

All of the major jobs now performed by women would be eliminated. But at least a third of the crew of six to machine harvest flue-cured tobacco could be women. They could, for example, place tobacco

leaves in bulk racks and drive the tractor from the field to the barn. The harvester driver and people putting racks of tobacco in the barn would probably be male.

Some of the assumptions behind the 1978 projections: wage rates will increase 20 percent by 1978, and all growers with at least 35 acres of tobacco will turn to machines as the least-cost method of harvesting.

More liberal provisions for the lease and transfer of flue-cured tobacco acreage, or more rapid advances in wage rates, would result in faster adoption of machines than the 23 percent projected for 1978.

[Based on a paper by Verner N. Grise, Commodity Economics Division, entitled "Harvest Systems, Labor Use and Mechanization in Flue-Cured Tobacco," presented at the 25th Tobacco Workers Conference, Hamilton, Ontario, Canada, August 7-9, 1973.]

Shortage Spinoff

One of the more unusual side effects of the current fuel shortage is that it could trigger increased demand for cotton and wool. Experts at the Department of Agriculture say that the energy crisis could reduce the output of manmade fibers.

The reason is that most synthetic fibers are made from petroleum derivatives. Any shortage of petroleum would thus be likely to cut back production. The main beneficiary of such a cutback would be natural fibers like cotton and wool.

And over the long run, consider this: According to industry groups, it takes about five times as much energy to produce a pound of synthetics as it does to produce a pound of cotton. With thermostats turned down, that extra wool sweater could also become a permanent fixture in many homes during cold weather.

So, if the energy crisis is with us for any length of time, we could find ourselves cottoning to the natural look again in summer . . . while in winter, it will be a distinctly woolly situation.

[Based on special material from Edward H. Glade, Commodity Economics Division.]

Cattlemen Maximize Profits by Custom Feeding After Weaning

How can a beef cattle producer up his profits?

One answer may be to retain ownership of calves past weaning time and sell them as fed beef. The rise of custom cattle feeding has made this possible.

Cattle ranchers can choose from among several marketing alternatives, according to a study by Colorado State University and ERS.

The most profitable involves placing calves in a custom feedlot after weaning in the fall. In the Colorado study the net returns from this long-term program were found to be 14 percent higher than if calves had been sold at weaning time.

Second best in terms of net income was sending yearlings off grass in the fall to the feedlot.

The third most profitable alternative was selling yearlings directly off grass.

These comparisons are based on long-term cattle prices and assume the rancher will follow a given program for a number of years.

The study said that one advantage of retained ownership programs is that they increase a rancher's bargaining power with buyers. He is not obligated to sell his weaner calves, but he may if the price is right. Also, the rancher following a retained ownership program has more flexibility to change to another program than the rancher selling weaner calves.

Retaining ownership of calves past weaning time does involve some added risk for the rancher, however.

If the price drops, the rancher's profits may be lower than had he sold the animals as weaner calves. Because he owns the calves for a longer time, he is more likely to suffer greater losses from disease.

Finally, he has larger commitments in terms of borrowed capital that must be paid. In this study, the operating capital to place 135 head of calves in a custom feedlot increased from almost $10,000 to over $26,000 —or about $123 per calf fattened.

Ranchers who can't get all the borrowed capital they need may be able to cull their herds heavily to get money for current debt repayments. Or, they may decide to make the shift to retained ownership over a number of years, retaining only a part of the calf crop each year.

[Based on a paper by C. Kerry Gee, Commodity Economics Division, entitled "Deferred Marketing of Beef Calves," presented at the Range Beef Cow—A Symposium on Production III, Rapid City, S.D., December 17-19, 1973.]

Food Spending Racks Up $18-Billion Gain

Consumer spending on foods produced by U.S. farmers rose sharply last year reflecting higher farm prices and marketing charges.

At an estimated $134 billion, expenditures rose $18 billion from 1972. Higher returns to farmers accounted for roughly two-thirds of the increase, and the rest of the growth was chalked up to marketing costs.

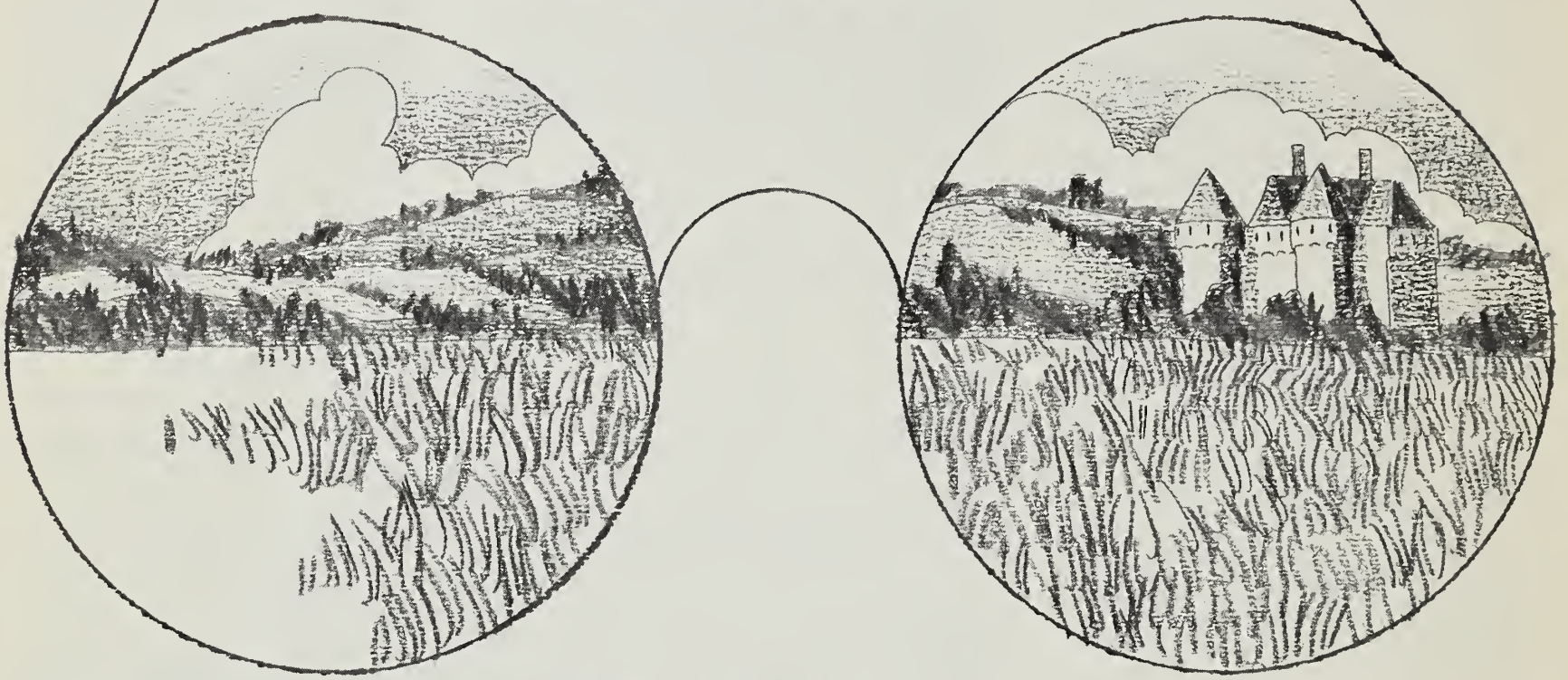
Preliminary figures put the farm value of these food products at $51 billion, up about $12 billion from 1973 and the biggest year-to-year increase in 25 years. The marketing bill came to an estimated $83 billion, 8 percent more than in 1972 and well above the recent 10-year rise of 5.2 percent.

Sharp gains in livestock prices were responsible for a large part of the increase in farm value of foods.

Most of the growth in the marketing bill was due to steeper costs of marketing services and added services per unit of product. Labor costs, making up close to half the marketing bill, probably amounted to $39½ billion in 1973, compared with $37.4 billion in 1972.

[Based on an article by Terry Crawford, National Economic Analysis Division, *Marketing and Transportation Situation*, MTS-191, November 1973.]

EC TAKES NEW LOOK AT FARM POLICY



Bigger output of feed grains and protein feeds, and less wheat and milk. These are goals of proposed changes in EC farm policy—changes that could affect our farm sales to the EC and elsewhere.

Certain U.S. farm exports to the European Community (EC) could be hurt by a new package of recommendations for changing the Community's Common Agricultural Policy.

The recommendations, which were presented by the EC Commission last November, are designed to slash the cost of the EC's farm price support program by upwards of $1 billion a year.

If accepted by all nine members of the EC, these proposals could also trigger higher production of feed grains by the EC and result in reduced imports of feed grains from third countries, especially the U.S. In 1972/73 the EC took 10½ million tons of U.S. feed grains valued at $683 million.

On the other hand, the EC actions could lessen the EC competition with U.S. wheat in the world marketplace. Reason is that the EC proposals aim to reduce surplus wheat production by providing incentives to local farmers to raise feed grains instead. In 1972 the EC exported nearly 5 million tons of wheat and flour.

Promoting proteins. Other recommendations are aimed at promoting production of protein feed ingredients, where American farmers again have a big stake. In 1972/73 we sold the area more than $1.5 billion worth of oilseed products.

At the same time, the EC's output of milk would be trimmed under the Commission's recommendations.

In the grains sector, the Community has faced surplus disposal problems with soft wheat and sometimes barley. However, it is still a large net importer of feed grains. Expenditures on grain support measures totaled about $5 billion through 1972, most of it for export subsidies and "denaturing" premiums for the use of wheat for feed. Denaturing is the addition of fish oils or dyes to wheat to make it unfit for human consumption, or the direct mixing of wheat with other feed ingredients.

To remedy the situation, the Commission has recommended a hike in feed grain prices relative to soft wheat, and certain changes in the support system for grains. To achieve the change in the feed grain/wheat price ratio, the price of soft wheat would be temporarily frozen while corn and barley prices would rise. The support system would be made less attractive for farmers by the withdrawal of support from low quality grain and the replacement

of regional support prices by a single, EC-wide support price.

In line with these changes, the gradual abolition of the denaturing premium for the use of wheat for feed has been recommended by the Commission.

Likely impact. Should these proposals be adopted, they could alter the competitive situation between the EC and the U.S. They would reduce competition in third country wheat markets but they would heighten competition in the EC feed grain market.

The Commission's recommendations for protein feed were motivated by fears that world supplies of protein would prove inadequate to meet the EC's demand. The market for these feeds—such as fishmeal and soybean meal—has been extremely tight during the past year as evidenced by the temporary export controls imposed by the U.S., world's leading supplier of oilseed products. The Community imports about 95 percent of its protein feed requirements.

Less Ambitious Path

The recent recommendations of the European Community Commission were arrived at after what was billed as a "comprehensive review" of the Common Agricultural Policy (CAP). This review was announced during a lengthy and heated debate in the spring of 1973 over the determination of 1973/74 farm support prices.

Initially, there was speculation that the Commission might consider a fundamental reform of the CAP—in particular, a shift from almost total reliance on price policy to the use of direct payments to farmers.

However, the Commission took a less ambitious and less controversial path, limiting itself to adjustments of the existing structure. The Commission concluded that direct income payments were not a viable alternative to price policy because of the steep cost, problems of administration, and the adverse effect of such a policy on structural improvement.

Away from imports. To lessen the dependence on imports of protein feeds, the Commission has proposed a guaranteed price for soybean producers; an increase in the price of sunflowerseed relative to rapeseed; the encouragement of the dehydrating of alfalfa; the acceptance of urea in animal feeds by all member states; and a research program examining new possibilities for protein production

The support system proposed for soybeans would not involve any change in the import system for soybeans or soybean meal, which currently enter duty-free. Instead, a payment would be made to the producer covering the difference between the guaranteed price and the EC market price, much like the regulations already in force for rapeseed and sunflowerseed. But only a limited area in southern France and northern Italy is thought to be suitable for soybean production.

Milk plan. For the dairy sector, the Commission has recommended a charge on milk deliveries to dairies —not to exceed 2 percent of the milk target price—in times of surplus. Each farm, however, would have a free delivery allowance of 10,000 liters of milk.

Also proposed is a charge on dairies which sell more than a certain percentage of their produce to support agencies. Funds would be used to help dispose of surplus dairy products, particularly butter. These proposals shift some of the burden of surplus disposal onto the producer, and they mark a considerable shift in EC thinking.

The Commission has also asked for a 13-percent cut in the butter support price to $1.85 per kilogram, combined with a 16-percent increase in the price of nonfat dry milk powder. Earlier this year, the EC reduced the butter support price by 5 percent while raising the nonfat price by 22 percent. These price changes should make it easier to sell butter on the domestic market and cheaper to export it.

Costly dairy support. Through 1972, the EC had spent well over $4 billion for dairy support. In 1973 the Community spent over $350 million on one transaction alone—the subsidized export of 200,000 metric tons of butter to the U.S.S.R. at a price only about a fifth of the Community support price. The current market situation makes it likely that large expenditures will continue to be required. The Commission estimates that the adoption of its proposals for dairy products will save over $500 million a year by 1978.

The Commission's recommendations are now being considered by the EC Council of Ministers, who will make the final decision. However, no action is likely to be taken until spring of 1974 when prices for the 1974/75 marketing year will be set. If adopted, the proposals would be implemented gradually over the 1973-78 period.

[Based on special material by Donald M. Phillips, Jr., Foreign Demand and Competition Division.]

World Agricultural Output Stages Recovery

After dropping 2 percent in 1972 world agricultural production snapped back in 1973 with a 6-percent increase. The recovery was due mainly to improved weather, according to a new ERS report.

Food production was up almost 6 percent from the previous year. Food production on a per capita basis also staged a comeback, rising 4 percent following a decline by the same amount in 1972.

Main sources of production gains were the U.S., Canada, the U.S.S.R., India, Latin America, and Oceania.

In the U.S.S.R., most of the 1973 increase was credited to record or near record harvests of the major crops. Grain production rose to more than 215 million tons, up nearly 50 million from 1972 and topping the previous record by 15 percent.

Output in the People's Republic of China was greater than in 1972. Grain production was in the range of 220-230 million tons, 10 million more than in 1972. Livestock numbers are believed to have increased modestly.

Other highlights from the ERS report:

Production in developing Asia grew 9 percent, with India accounting for about half the total. Other strong advances were in West Malaysia and the Philippines.

The European Community as a whole reported production increases in 1973.

In Latin America, the 5-percent gain represented a recovery to more normal levels, making it possible to catch up with population growth.

In Africa and the Middle East, dry weather reduced production by around 3 percent, and per capita food production dropped 7 percent.

[Based on *World Agricultural Situation*, WAS-4, December 1973, by Foreign Demand and Competition Division.]

Relief in Sight For Tight Meal Situation

Livestock producers around the world should encounter fewer problems this year in getting adequate supplies of oilseed meals.

Preliminary estimates indicate meal output will expand more than 9 million tons in 1974 against a rise in usage of only 4 million tons. The U.S. will account for most of the production increase (5.7 million tons) but less than a fourth of the consumption increase.

Brazil's production is likely to swell by 900,000 tons this year, mostly soybean meal. Peru expects to up its fishmeal output from last year's very low level because of improved fishing prospects.

The U.S.S.R. in 1974 will produce more meal from sunflowerseed, cottonseed, and soybeans. India will produce more peanut meal.

Areas where supplies increased significantly in 1973 were Argentina and Brazil. Countries where supplies decreased included Canada, mainly rapeseed meal; Peru, fishmeal; and the U.S.S.R., sunflowerseed meal and soybean meal.

[Based on *World Agricultural Situation*, WAS-4, December 1973, by Foreign Demand and Competition Division.]

FAO Drafts Plan For World Food Reserve

A "world food security policy" has been proposed by the Food and Agriculture Organization (FAO) as one answer to recurring food shortages. The principles and objectives of the plan were recently endorsed by member governments attending FAO's biennial conference held in Rome, Italy.

FAO's international reserve scheme would not overburden a few countries with maintaining stockpiles for the rest of the world. Exporting as well as importing countries would share this responsibility.

The proposal, in four parts, calls for—

Recognition by governments of a common responsibility to assure sufficient world grain supplies through national stockpiling;

Regular consultation among governments to review the world's food position and recommend action as needed;

Formulation and recommendation of grain reserve policies to national governments; and

An international program of assistance for developing countries that wish to maintain a minimum national food reserve.

An agreed upon text of the international undertaking is to be prepared by an FAO working party, and will be offered to governments for adoption at "the earliest possible date."

If properly implemented by all major exporting and importing countries—including the U.S.S.R.—the FAO plan could have the merit of reducing the probability of acute food shortages and moderating severe price instability.

According to ERS analysts, in the past there have been adequate reserves in the U.S. to meet almost any shortfall of food. But in recent years there has been a depletion of grain stocks in the U.S. and elsewhere. These lower stocks have had a marked effect on grain prices and could continue to do so.

June 30 grain stocks in exporting countries amounted to 145 million metric tons in 1970 and to an estimated 105 million tons in 1973. Stocks in 1974 are forecast at 95 million tons—the least in 20 years. Thus, world grain supplies will depend crucially on current and upcoming harvests.

While crop failures are not anticipated, poor weather in a few key countries could make for a precarious situation given the lower level of stocks. However, if growing conditions are better than normal in the next few years, countries may have to guard against an excessive accumulation of stocks. If the international system of consultations and cooperation envisaged in the FAO food security proposal is successfully implemented, it should help to avert both problems of not enough as well as excessive stocks.

[Based on special material by W. Scott Steele, Foreign Demand and Competition Division.]

15 Nations Get Most Of Our Farm Exports

Nearly three-fourths of U.S. farm exports in fiscal 1973 went to but 15 countries. They took $9.3 billion worth, or 72 percent of our total exports of $12.9 billion.

As usual, Japan was our top market. Exports to that country almost doubled from the previous year. After adjusting for transshipments, West Germany became No. 2, taking over $1 billion worth. Larger shipments to the U.S.S.R. boosted that country into third position. Canada was in fourth place.

Of the 50 major markets, five countries cut back on imports of U.S. products—India, Pakistan, Morocco, Algeria, and the Dominican Republic. With largest gains in imports, by rank, were Japan, U.S.S.R., Netherlands, West Germany, Italy, Spain, and South Korea.

[Based on an article in *Foreign Trade of the United States*, December 1973, by Foreign Demand and Competition Division.]

End of U. S.-Philippine Treaty Could Affect Trade in Farm Products

July will be a significant month for this country and our fifth largest supplier of agricultural products—the Philippines. The month will mark the end of the Laurel-Langley treaty that's been in effect for the past 18 years.

Although designed to aid the Philippines' changeover from a colony to a modern economy, the treaty has also helped promote agricultural trade between the two countries. Reciprocal tariff preferences, quotas for Philippine products, and parity for American investors in the islands are treaty provisions which have contributed to stable trade.

Uncertain as to what effects the termination of Laurel-Langley will have, both countries are now considering new trade arrangements.

Parity will be one of the major negotiating points, for without it, U.S. investors may be forced to sell some of their equity to Philippine nationals.

In the past, U.S. investors have been accorded the same treatment as Philippine investors. However, if parity ends, U.S. investors may be limited to a specified percentage investment in some industries.

It remains to be seen how this would affect agricultural trade. Chances are, however, that an end to parity would bring some slowing in the recent rate of expansion of U.S. farm imports from the Philippines.

In 1972, the Philippines supplied us with $332.4 million in agricultural goods, and we supplied them with $99.7 million. Although our agricultural imports from the Philippines were down slightly from the previous year, our 1972 exports to the country reached a record high. Indications are that 1973 trade figures will reach record levels because of high prices for Philippine exports (especially coconut oil) and because of larger U.S. grain exports.

Major U.S. imports from the Philippines are sugar and coconut products—90 percent of the goods. Sugar imports alone have averaged over 1 million tons annually since 1960. In fact, nearly all of the Philippines' exportable sugar supplies are sent to the U.S. Because of the importance of the U.S. sugar market, Philippine sugar growers are among the most concerned over the termination of the Laurel-Langley treaty.

Coconut products—copra (dried coconut meat), coconut oil, and dry or desiccated, coconut—are the second largest group of agricultural products the U.S. buys from the Philippines. In 1972, these imports totaled over $100 million.

As U.S. investment in pineapple production has shifted from Hawaii to the Philippines due to cheaper labor costs, U.S. canned pineapple imports from the Philippines have quadrupled over the past decade. In 1972, these imports were valued at over $1.3 million.

Our tobacco imports from the Philippines, mostly scrap tobacco, have also expanded, reaching $8.2 million in 1972. Since the Philippines has been far exceeding the Laurel-Langley tobacco quota, it is unlikely that the treaty's termination will reduce tobacco exports to the U.S.

U.S. agricultural exports to the Philippines in 1972 showed increases for every commodity except cotton, which declined slightly. Wheat exports, our major agricultural exports to the Philippines, totaled $31.8 million in 1972. In addition, we sent about $2 million of wheat flour.

Our rice exports continued to grow as Philippine rice crops suffered weather and disease damage in recent years. Exports of rice in 1972 reached a record $11.1 million.

U.S. exports of tobacco, soybean cake, and corn to the Philippines also reached record levels in 1972.

[Based on an article by E. Wayne Denney, Foreign Demand and Competition Division, "U.S.-Philippine Trade Rising," *Foreign Agricultural Trade of the United States*, October 1973.]

Whither Goest Ginseng?

If you're looking for one of those evening-by-the-fire books this winter, ERS's statistical report of foreign agricultural trade could be just the thing.

It tells the story of our trade . . . right down to Outer Mongolia.

Information is listed by exports and imports, by country and by commodity, in some 250 pages of tables.

In addition to the better known products in international agricultural trade, here are some of the more unusual products . . . starting with part of the U.S.'s shopping list:

Pickled pimientos—$13 million worth from Denmark alone . . . canned Mandarin oranges—$15 million worth from Japan . . . fresh garlic—9 million pounds from Mexico.

From Mozambique come cashews. From France, nearly 1 million gallons of sparkling champagne. From the paradisiacal Seychelles, cinnamon.

Settle down with the book and you can trace the origin of spices, soy sauce, sable, sisal, even sausage casings.

And, oh, yes, from Outer Mongolia, we import more than $1 million worth of fine animal hair—mostly cashmere and camel hair.

What do others buy from us?

Ginseng is a big item with Hong Kong, which bought close to $9 million worth of this medicinal herb from us last year. Licorice is a popular item with Denmark and West Germany. West Germany, by the way, is one of our prime buyers of muskrat, along with the United Kingdom and Canada.

The island of Iceland imports around $2.5 million in agricultural goods from us, mainly wheat flour, but also fresh apples, dried raisins, and other grocery items.

France bought nearly $30 million worth of beef liver and tongue, while Japan, by far our biggest customer, bought everything from fresh lemons to feather meal.

[Based on *U.S. Foreign Agricultural Trade Statistical Report, Fiscal Year 1973.*]

Recent Publications

Multilateral Assistance for Agricultural Development. Economic Research Service. ERS-521.

This publication surveys major multilateral agencies concerned with agricultural development in low-income countries. Included in the discussions are: the United Nations Development Program and the Food and Agriculture Organization; the World Bank and the major regional banks; the Organization of American States; and the international agricultural research centers. An account is given of the trends toward multilateral assistance for agriculture and some emerging issues as the international organizations put more of their resources into agricultural development projects.

Interfiber Competition With Emphasis on Cotton: Trends and Projections to 1980. Lionel F. Ward, Australian Wool Corporation, and Gordon A. King, University of California, in cooperation with Economic Research Service. ERS Tech. Bull. 1487.

This report's analysis of interfiber competition primarily covers the years 1948-70, when manmade fibers displaced substantial quantities of natural fibers in all major end uses. The major contribution of this study is the methodology, which provides a unique and consistent basis for analysis of interfiber competition.

Procurement Planning for the Commercial Feed Firm. Thomas L. Guthrie, Indiana University, formerly with Marketing Economics Division, and James Snyder, Purdue University. MRR-1014.

The primary objective of this study was to construct and test a computerized operational control system for the typical commercial feed firm. This system, which utilizes an expanded linear programming model, simultaneously evaluates procurements, production, and sales constraints in generating decision guides to be used for optimizing operational planning and control by management.

Single copies of the publications listed here are available free from The Farm Index, Economic Research Service, Rm. 1459–So., U.S. Department of Agriculture, Washington, D.C. 20250. However, publications indicated by (*) may be obtained only by writing to the experiment station or university. For addresses, see July and December issues of The Farm Index.

Say It With Charts

If you like your statistics graphically illustrated, the new *1973 Handbook of Agricultural Charts* may be just what you've been waiting for.

The chartbook contains more than 180 charts—most with supporting tables. Besides updating previous editions, the 1973 handbook features a number of new charts—a breakdown of corporations in farming, for example—as well as increased use of design and figure drawings for improved visual impact.

The joint product of six USDA agencies, the chartbook is completely indexed, and its easy-to-find data are grouped into five sections: The Domestic Situation, Foreign Production and Trade, Population and Rural Development, The Family, and Commodity Trends.

All charts are separately available as color slides or black and white photos for classroom and conference presentations. Single copies of the *1973 Handbook of Agricultural Charts* may be obtained by writing the Publications Unit, Division of Information, Economic Research Service, USDA, Washington, D.C 20250. Ask for AH–455.

Beef Cattle Production Potential of Set-Aside Land. Henry C. Gilliam Jr., Commodity Economics Division. ERS-532.

The major objective of this research was to analyze the effects of alternative provisions concerning the use of set-aside land on future feeder cattle numbers and on feasible program payment rates. Among other findings: nearly 1,200 participants in the 1972 set-aside program planned to expand their beef cow herds by a fourth during the following 3 years. If permitted to fully utilize forage on the 58.8 million acres set aside, without reduced payments, they would increase their beef cow herds by 56 percent in the following 3 years.

A Simulation Model of Farm Sector Social Accounts With Projections to 1980. David A. Lins, National Economic Analysis Division. ERS Tech. Bull. 1486.

Projection results of this study suggest that total assets in the farm sector may total more than $450 billion by 1980. The study also shows that real estate debt may grow much more slowly than non-real estate debt, and proprietors' equities as a percentage of total assets could decline from 81.2 percent in 1970 to 73.5 percent in 1980. Total funds from all sources for the farm sector in 1980 may be 58 percent greater than in 1970.

Balance Sheet of the Farming Sector, 1973. Carson D. Evans, Forest G. Warren, Robert D. Reinsel, and Richard W. Simunek, National Economic Analysis Division. AIB-365.

This publication assembles into one financial statement the major farm asset inventory and liability accounts. This is the 29th issue in the series (formerly called the *Balance Sheet of Agriculture*). Comparable annual estimates are available beginning with 1940.

Economic Trends

Item	Unit or Base Period	1967	1972 Year	1972 Oct.	1973 Aug.	1973 Sept.	1973 Oct.
Prices:							
Prices received by farmers	1967=100	—	126	130	207	191	184
Crops	1967=100	—	115	117	195	183	182
Livestock and products	1967=100	—	134	139	217	198	187
Prices paid, interest, taxes and wage rates	1967=100	—	127	129	151	150	150
Family living items	1967=100	—	124	125	141	142	142
Production items	1967=100	—	122	125	157	154	153
Ratio [1]	1967=100	—	100	101	137	127	123
Wholesale prices, all commodities	1967=100	—	119.1	120.0	142.7	140.2	139.5
Industrial commodities	1967=100	—	117.9	118.8	127.4	128.1	129.6
Farm products	1967=100	—	125.0	125.5	213.3	200.4	188.4
Processed foods and feeds	1967=100	—	120.8	121.8	166.2	156.3	153.1
Consumer price index, all items	1967=100	—	125.3	126.6	135.1	135.5	136.6
Food	1967=100	—	123.5	124.9	149.4	148.3	148.4
Farm Food Market Basket: [2]							
Retail cost	1967=100	—	121.3	122.5	153.0	150.7	149.9
Farm value	1967=100	—	124.4	125.3	200.2	178.9	172.6
Farm-retail spread	1967=100	—	119.3	120.8	123.1	132.8	135.5
Farmers' share of retail cost	Percent	—	40	40	51	46	45
Farm Income: [3]							
Volume of farm marketings	1967=100	—	112	162	103	111	164
Cash receipts from farm marketings	Million dollars	42,693	60,671	7,383	7,521	7,765	11,300
Crops	Million dollars	18,434	25,075	3,827	3,120	3,690	6,600
Livestock and products	Million dollars	24,259	35,596	3,556	4,401	4,075	4,700
Realized gross income [4]	Billion dollars	49.0	68.9	—	—	91.4	—
Farm production expenses [4]	Billion dollars	34.8	49.2	—	—	65.9	—
Realized net income [4]	Billion dollars	14.2	19.7	—	—	25.5	—
Agricultural Trade:							
Agricultural exports	Million dollars	—	9,404	907	1,470	1,449	1,734
Agricultural imports	Million dollars	—	6,459	574	720	639	710
Land Values:							
Average value per acre	Dollars	[6] 168	[7] 219	—	—	—	[8] 247
Total value of farm real estate	Billion dollars	[6] 181.9	[7] 230.5	—	—	—	[8] 258.7
Gross National Product: [4]	Billion dollars	793.9	1,155.2	—	—	1,304.5	—
Consumption	Billion dollars	492.1	726.5	—	—	816.0	—
Investment	Billion dollars	116.6	178.3	—	—	202.0	—
Government expenditures	Billion dollars	180.1	255.0	—	—	279.0	—
Net exports	Billion dollars	5.2	−4.6	—	—	7.6	—
Income and Spending: [5]							
Personal income, annual rate	Billion dollars	629.3	939.2	967.0	1,047.3	1,058.5	1,067.7
Total retail sales, monthly rate	Million dollars	26,151	37,365	39,106	42,363	42,525	43,081
Retail sales of food group, monthly rate	Million dollars	5,759	7,918	8,209	8,964	8,992	9,210
Employment and Wages: [5]							
Total civilian employment	Millions	74.4	[9] 81.7	[9] 82.4	[9] 84.4	[9] 85.1	[9] 85.7
Agricultural	Millions	3.8	[9] 3.5	[9] 3.7	[9] 3.4	[9] 3.4	[9] 3.5
Rate of unemployment	Percent	3.8	5.6	5.5	4.8	4.8	4.5
Workweek in manufacturing	Hours	40.6	40.6	40.7	40.5	40.8	40.6
Hourly earnings in manufacturing, unadjusted	Dollars	2.83	3.81	3.86	4.06	4.13	4.14
Industrial Production: [5]	1967 = 100	—	115	119	127	127	128
Manufacturers' Shipments and Inventories: [5]							
Total shipments, monthly rate	Million dollars	46,449	62,466	65,451	73,021	73,060	75,054
Total inventories, book value end of month	Million dollars	84,655	107,719	106,617	114,907	116,114	117,065
Total new orders, monthly rate	Million dollars	46,763	63,514	66,355	76,113	75,129	77,429

[1] Ratio of index of prices received by farmers to index of prices paid, interest, taxes, and farm wage rates. [2] Average annual quantities of farm food products purchased by urban wage-earner and clerical worker households (including those of single workers living alone) in 1959-61—estimated monthly. [3] Annual and quarterly data are on 50-State basis. [4] Annual rates seasonally adjusted third quarter. [5] Seasonally adjusted. [6] As of March 1, 1967. [7] As of March 1, 1972. [8] As of March 1, 1973. [9] Beginning January 1972 data not strictly comparable with prior data because of adjustment to 1970 Census data.

Sources: U.S. Dept. of Agriculture (Farm Income Situation, Marketing and Transportation Situation, Agricultural Prices, Foreign Agricultural Trade and Farm Real Estate Market Developments); U.S. Dept. of Commerce (Current Industrial Reports, Business News Reports, Monthly Retail Trade Report and Survey of Current Business); and U.S. Dept. of Labor (The Labor Force and Wholesale Price Index).

The Farm Index
☆ U.S. Government Printing Office: 1974–541–615/5